

**MINUTES OF THE  
JOINT CAPITAL FACILITIES & ADMINISTRATIVE SERVICES  
AND THE HIGHER EDUCATION  
APPROPRIATIONS SUBCOMMITTEE  
FRIDAY, FEBRUARY 7, 2003 - 2:00 P.M.  
Room 403, State Capitol Building**

Members Present:            Sen. Beverly Evans, Committee Co-Chair  
                                 Rep. Loraine T. Pace, Committee Co-Chair  
                                 Sen. Greg Bell  
                                 Sen. Mike Dmitrich  
                                 Rep. Roger Barrus  
                                 Rep. Ralph Becker  
                                 Rep. DeMar "Bud" Bowman  
                                 Rep. D. Gregg Buxton  
                                 Rep. David Clark  
                                 Rep. Stephen Clark  
                                 Rep. Wayne Harper  
                                 Rep. Brent H. Goodfellow

Staff Present:                Kevin Walthers, Fiscal Analyst  
                                 Jonathan Ball, Technology Analyst  
                                 Bonnie Brinton, Committee Secretary

List of those also present:    Lynne Ward, Executive Director, GOPB  
                                 Joe Jenkins, Director, DFCM  
                                 President Ryan Thomas, CEU  
                                 Dave Miles, Operations Engineer, UDOT  
                                 Chuck Larsen, Comptroller, UDOT  
                                 Dick Buehler, Director, Natural Resources  
                                 Dave Morrow, Deputy Director, State Parks  
                                 Gary Thorson, Manager of Construction, State Parks  
                                 Bob Woodhead, Director, Archives  
                                 Ken Nye, Program Director, DFCM

List of others present on file.

Co-Chair Pace called the meeting to order at 2:12 p.m.

**MOTION:** Rep. Bowman moved to approve the minutes of February 3, 2003.

The motion passed unanimously with Sen. Bell and Reps. S. Clark and Harper absent for

the vote.

**1. Capital Budget**

Mr. Walthers, Fiscal Analyst, stated that the total amount of funds recommended by the Analyst for Capital Budget Programs is \$50,282,300.

Co-Chair Pace explained that during the 2001 General Session the legislature increased the minimum funding formula for AR&I from 0.9 percent to 1.1 percent of the value of all state buildings. As revenue projections went unmet, the Legislature amended statute to allow for more flexibility in the capital improvement program by funding at the original 0.9 percent level during a time of “operating deficits.”

The Analyst’s recommendation for State Projects includes the assumption of an operating deficit in FY 2004 and sets the Capital Improvement program at \$42,662,900 instead of the 1.1 percent level of \$52,143,000.

Mr. Walthers then pointed out two debt problems in two agencies. The first is CEU dormitory debt of \$215,000 annually. He explained that the Regents, College and Foundation expected student growth to provide ample revenue to amortize the mortgages. Unfortunately the student growth never appeared; and the College struggled to make payments, ultimately providing tuition scholarships to students who agreed to live in the dormitories and pay rent. The Analyst recommends transferring \$2,515,900 from the Capital Budget to the College of Eastern Utah for the purpose of paying off outstanding mortgages on campus dormitories.

Lynne Ward, Executive Director, GOPB, responded to the Analyst’s recommendations by stating that these debts are mortgages, not State funds. She questioned whether the Board of Regents had input into the recommendation. She stated that she felt the State was exposing itself to a funding level that it does not have the capacity to maintain, and that she feels it would be unusual, unwise fiscal policy.

Joe Jenkins, Director, DFCM, stated his concern about the proposed funding to CEU. He suggested that an alternative to paying the entire amount would be to pay one payment this year of \$215,000.

President Ryan Thomas, CEU, stated that he would support either recommendation. He responded to questions from Committee members and stated that he did not feel the debt could be restructured. He explained that his administration has used every available legal source to cut costs including salary cuts and teachers doubling teaching loads. He stated

that 50% of the students at the Blanding campus are Native Americans. In reality, he wishes the dorms weren't there.

Mr. Walthers stated that his recommendation would result in a four-fold return on the dollar. He also stated that the College has an incredible role in changing the lives of the people in Price and Blanding.

Co-Chair Pace expressed her appreciation to President Thomas that he would assume the leadership at CEU. She stated that he has done an excellent job in making the best of a difficult situation.

Co-Chair Evans stated that she feels the Committee needs more information regarding the legal ramifications and the problems of setting precedents.

Sen. Dmitrich stated that he is aware of the concurrence of the Board of Regents in this matter. He also stated that in 1996 when the dorms were built, there were only five rental units available. He strongly feels that this Committee would not be setting a precedent by funding the Analyst's recommendation, and that he is aware of the Governor's office funding other projects without even coming to the Legislature for approval. He feels the College is a binding force in the two communities and should be supported in every way possible.

Rep. Becker stated that he feels everyone involved is operating in good faith, and that Executive Appropriations should consider this recommendation.

President Thomas stated that there is an Assistant Attorney General assigned to CEU who advises the College on legal issues.

Co-Chair Pace stated her desire that the Committee protect the opportunity to increase the percentage of the minimum funding formula for Capital Improvements back to 1.1%.

Co-Chair Evans stated that there are other entities such as counties, cities, other schools, etc. that will come to the Committee with funding requests which will have to be analyzed carefully.

The second debt problem is the Department of Corrections facility payments of \$935,000. The Analyst stated that the UDC accelerated a program to manage non-violent offenders in the community rather than housing them in prison. The resulting flattening of inmate counts led the Department to postpone the planned opening of a new prison in Gunnison and to the closure of the Promontory Prison in Draper. Even with closure, three payments

are remaining to be made. Mr. Walthers recommends a one-time transfer of \$2,805,000 to the Debt Service Account in FY 2004, which would move the State closer to structural balance in ongoing revenue. The Division of Finance drafted intent language to govern the transfer. The Analyst stated that these recommendations did not come from the Agencies.

Mr. Walthers stated that he does not feel that these recommendations are setting any kind of precedent.

Ms. Ward stated that she is aware of this problem with Corrections, and that she helped draft the intent language. She does not see a problem with helping the UDC resolve this debt. She is anxious that inmates not be released early.

Mr. Jenkins stated that, again, he feels that a better alternative to paying the entire amount of the UDC debt would be to pay only one year at \$935,000. The Analyst responded by saying that he feels that paying one year does not solve the problem and does not move the budget closer to the goal of structural balance.

Sen. Bell said he agreed with Mr. Jenkins and that funding for CEU and the UDC for this year only should be recommended.

The Analyst explained the idea of rotating research institution projects. He stated that the Utah System of Higher Education occupies approximately two-thirds of all State space. This year the top priorities at the U of U and USU total more than half of the entire USHE request. If these requests were rotated, the political reality of facility funding could be recognized and the facility "bottleneck" could be removed, allowing smaller schools to compete on a more level playing field for funding.

An informational item discussed by the Analyst was the engineering bond options for both the U of U and USU. The authorization totaled \$20,943,500 and carried a stipulation that each institution would raise matching funds before the bonds could be issued. To date neither institution has met the requirements for issuance and the bonds remain authorized but not yet issued.

Mr. Walthers next discussed the Capital Improvements budget. He is recommending \$42,662,900 and stated that if the Legislature approves this statutory minimum, it will represent the largest single Capital Improvement appropriation ever. He pointed out that the minimum funding levels for Capital Improvements are set in statute, not in intent language. The Analyst reported in the 1999 interim that the State's maintenance backlog approached \$400 million. Capital Improvement funds help to reduce the backlog but

cannot address all issues.

The Analyst reported that he had been asked for speak at a regional conference because Utah has done a good job compared to other States in specifically addressing the maintenance backlog. He commended the Committee for their commitment to this funding.

Mr. Walthers stated that Committee members should be aware that more than half of all Capital Improvement dollars go to projects that benefit Higher Education and the Utah College of Applied Technology. This is money that is rarely accounted for in considering state support of education even though the direct beneficiaries of the program are students.

In FY 2003 the Building Board allocated more than \$3 million in capital improvement funds. Mr. Walthers has provided a table showing "Statewide funding issues," and the amounts allocated.

The Analyst informed Committee members that funding for Capital Improvements will again climb to a new high, even assuming his recommendation of \$42.6 million. He explained that even with the record level of funding, DFCM estimates that the State still carries \$254 million in immediate needs that cannot be addressed in the current year. The Legislature should continue to place emphasis on Capital Development projects that replace aging and worn space. Over the past three years development projects such as the Dixie College Fine Arts Center, the USU Heat Plant Replacement and the UU Cowles Building Remodel allowed the State to remove millions from the maintenance backlog.

Mr. Walthers next explained Lease Reports. He recommended that the Legislature direct staff to prepare a more comprehensive report for inclusion on the Executive Appropriations agenda and pointed out intent language to that purpose. The Analyst has prepared a table showing "Utah Lease Space By Agency." He stated that overall, Utah leases more than six million square feet; however, one-third of that amount is at the State Fair Park and significant amounts are tied up in land leases and federal grants. By removing UDOT, the State Fair and the National Guard, the State's average cost per square foot totals \$8.55. Further, the State leases many different types of property. Office space accounts for nearly 1.3 million square feet of total space, and the USHE leases an additional 1.5 million square feet. UCAT began reporting its leases along with the USHE this year.

## **2. Agency Presentations**

**a. Utah Department of Transportation**

Dave Miles, Operations Engineer, and Chuck Larsen, Comptroller, presented the request for the purchase of land for the future construction of two maintenance stations, one north of Heber City and one north of Vernal. The total estimated cost is \$500,000.

**b. Natural Resources**

Richard Buehler, Deputy Director, presented the request for four new campgrounds in rural State Parks at Coral Pink, Piute, Starvation and Yuba. The total estimated cost is \$5,000,000.

He expressed appreciation to the Committee for much needed funding in the past. Dave Morrow, Deputy Director, State Parks, and Gary Thorson, Manager of Construction, State Parks, distributed a handout describing the four projects and explained its contents.

Mr. Morrow summarized the request and stated that Natural Resources clearly understands the dilemma the Committee is facing. However, the Department has worked for six months to find other funding sources and has not been successful. These projects would boost the local economy where each is located. He stated that if the Committee could fund a portion of the projects, the Department would seek contributions from surrounding communities and continue to seek other funding sources. Mr. Morrow further stated that the developing and engineering cycle is not complete and won't be finished for two to three years.

Co-Chair Pace thanked the presenters and commended them on the excellent handout provided.

**c. Archives**

Mr. Walthers explained that a key component of the Capitol Restoration is the demolition of the current Archives Building to make way for a new heat plant. The Archives Building no longer meets the needs of the State and will need to be replaced regardless of decisions made on the Capitol. DFCM and the Building Board believe that the best option calls for moving the Archives into a 35,795 square foot facility immediately to the south of the Rio Grande Depot. The Analyst believes that this may be a long-term solution, but this is not the time to quadruple the space currently occupied by the Archives and that suitable lease space may be found in downtown Salt Lake City. As a result, the Analyst recommends that the Legislature direct \$250,000 from the Capital Budget to the Division of Archives to lease space as a short term solution to their facility problem.

Mr. Jenkins stated that he feels the Rio Grande building makes sense, but Archives cannot wait a year to build a stand-alone building. The project includes \$1,000,000 for remodeling portions of the Rio Grande building to create spaces for Archives to use jointly with the Divisions of History and Fine Arts who currently occupy the Rio Grande building. He further stated that placing the Archives permanent records at the same location as State History will provide a single location for patrons who frequently desire to access the different historical records that these agencies maintain.

Rep. Becker complemented Mr. Jenkins for his work on this long-time issue of Archives. He stated that he recognizes that there is still work to be done to find a solution and that there have been numerous people involved in the process.

Rep. Harper asked if there would be an option of moving out into the county where property costs are not so high as the Rio Grande area. He requested information regarding this suggestion. Mr. Jenkins stated that all options have been thoroughly researched and that he would provide Rep. Harper with that data. Rep. Becker stated that he felt that the Division should be as cost effective as possible, and that he would be interested in seeing this information, also.

Bob Woodhead, Director, Archives, responded to questions of how often the facilities are used and the services provided by employees. He also made reference to the programs out in the communities sponsored by Archives that exposes the public to the programs available.

Mr. Jenkins explained the reasons why the location in the SOB for Archives would not be advantageous--the access is difficult, the micrographics cause a bad odor, and there is inadequate ventilation. Rep. Pace added that the elevators are not designed to lift the heavy machinery required by Archives.

Mr. Jenkins also explained that the temporary collection of Archives would stay at Decker Lake where there is 45,000 to 50,000 square feet of storage.

**d. DFCM Regional Centers**

Joe Jenkins presented information regarding the three proposed Regional Centers. He stated that the budget reflects a 13% savings that is projected if the St. George project is part of a design/build package with regional centers proposed in Logan and Ogden. It is proposed that the St. George and Ogden projects be funded on a lease-revenue bond issued by the State Building Ownership Authority. Existing rent budgets will be used to pay debt service and operations and maintenance costs. The Logan Center would have

two proposed funding sources: Workforce Services' Special Administrative Fund for space to be occupied by Workforce Services and a lease-revenue bond issued by the State Building Ownership Authority for the balance of the space.

Ken Nye, Program Director, explained the benefits to the State and the public incurred regarding these projects. He cited the economic savings of ownership, the low interest rate which makes buying more cost effective than leasing, and the consolidation of state offices into limited, identifiable locations.

**MOTION:** Rep. D. Clark moved to adjourn the meeting.

The motion passed unanimously with Sen. Dmitrich and Reps. Bowman and Goodfellow absent for the vote.

The meeting was adjourned at 4:15 p.m. by Co-Chair Pace.

The minutes were reported by Bonnie Brinton

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Sen. Beverly Evans  
Committee Co-Chair

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Rep. Loraine T. Pace  
Committee Co-Chair